



MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR FINDINGS
AND OTHER MATTERS

**From The Office Of State Auditor
Claire McCaskill**

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AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2001

www.auditor.state.mo.us

The following is a follow-up of an audit conducted by our office of the Missouri Department of Transportation.

The department should make an effort to reduce expenditures for food costs and redirect these resources to highway maintenance and construction activities. According to the department's records, the department paid approximately \$300,000 in food costs during fiscal year 1999. These food purchases represented amounts billed to the department from various food service providers and did not include amounts reimbursed to employees through expense accounts. In fiscal year 1999, the department had a policy regarding the reimbursement of travel expenses (including meals) to employees; however, the department lacks a comprehensive policy regarding agency provided meal expenses at meetings and other departmental functions, including those held within the employees' official domiciles.

We reviewed the supporting documentation for thirty-eight food purchases made in fiscal year 1999. Many of these purchases were incurred within the applicable employees' official domiciles, and may have not been necessary. The supporting documentation for these purchases did not always indicate the business purpose and/or identify those people attending. Food purchases included meals at restaurants, catered luncheons, and store purchases.

The Missouri Department of Transportation should review the need to routinely incur meal costs for individuals attending training sessions and other events and develop a comprehensive policy regarding food purchases, particularly in employees' official domiciles. A similar recommendation was made by the department's internal auditors in July 1999.

During our audit, we reviewed various expenditures and related documentation to support the procurement of aggregate material and gasoline and diesel at several maintenance sheds in District 1 (St. Joseph), District 3 (Hannibal), and District 9 (Willow Springs). Our review disclosed that such purchases were not always made in accordance with the Missouri Department of Transportation requirements.

We reviewed four purchases, totaling approximately \$33,703, of aggregate material. It appears that telephone quotes were used for these purchases. However, since the anticipated amount of the purchase was over \$3,000 for three of these purchases, formal bids were required. For the other purchase, it appears that written quotes should have been taken. In addition, documentation of the telephone quotes was not retained for three of these purchases.

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YELLOW SHEET

We also reviewed fourteen purchases of gasoline and diesel. According to maintenance personnel, telephone quotes are used for these purchases and department procedures for telephone quotes provide that a minimum of three vendors should be called, if three are available. In ten instances (71 percent), there was documentation of only two or fewer bids being obtained.

The department needs to ensure that the department's policies and procedures related to the procurement of aggregate material and gasoline and diesel are followed and bid documentation is properly retained.

We noted similar problems in the prior audit. Although the department indicated in its response to the prior findings that district staff would be reminded of the purchasing requirements, some of the maintenance personnel we contacted during the current audit did not appear familiar with these requirements.

As similarly noted in prior reports, some of the Missouri Department of Transportation's moving expenses may be excessive and/or unreasonable. The department typically reimburses various moving expenses related to the recruitment of top management employees as well as the transfer of existing employees to other locations within the state.

At our request, the department prepared a report of employee moving expenses paid during fiscal year 1999. According to this report, such costs totaled over \$312,000. In addition, according to department records, the department's moving expenses paid during the first seven months of fiscal year 2000 totaled over \$322,000. The audit noted that substantial savings could be realized if certain limits were included in the department's moving expense policy.

MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR FINDINGS
AND OTHER MATTERS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Roger B. Wilson, Governor
and
Missouri Highway and Transportation Commission
and
Henry Hungerbeeler, Director
Missouri Department of Transportation
Jefferson City, Missouri 65102

We have audited the Missouri Department of Transportation (MoDOT). The scope of this audit included, but was not necessarily limited to, fiscal year 1999 and 2000 activities. The objectives of this audit were to:

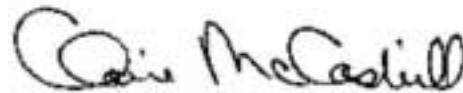
1. Follow-up on the status of findings and recommendations made in our previous audit report for the year ended June 30, 1998.
2. Review other areas not addressed in other MoDOT related audits.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed department personnel, reviewed various documents and records, and analyzed and compared data obtained from department personnel.

As part of our audit, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Department of Transportation, Follow-Up on State Auditor's Prior Findings and Other Matters.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 23, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR FINDINGS
AND OTHER MATTERS
SUMMARY OF FINDINGS

1. Property Damage (pages 7-9)

Department personnel have not established policies and procedures to ensure parties responsible for damaging department property are identified and billed for the cost of repairs. As a result, significant potential revenues have not been collected.

2. Moving Expenses (pages 9-10)

The department's employee moving expenses appear excessive.

3. Food Costs (pages 10-11)

The department should develop a comprehensive policy regarding food purchases and make an effort to reduce expenditures in this area.

4. District Procurements (pages 11-13)

The procurement of aggregate materials and gasoline and diesel purchases at various maintenance sheds in several districts were not made in accordance with the department requirements.

MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR FINDINGS
AND OTHER MATTERS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Property Damage

In the prior audit we reported the department did not ensure parties responsible for damaging MoDOT property were identified and billed for the cost of repairs. As a result, property damage revenue was not being maximized. Little has been done by department personnel since our prior audit to correct this deficiency.

In that audit we reported that during fiscal year 1998 over 2,000 property damage accounts were set up, with approximately 1,200 of these accounts being classified as unknown. During a review of forty of the unknown property damage accounts, we were able to match sixteen (40 percent) of these accounts to accident reports prepared by either the Missouri State Highway Patrol (MSHP) or a local law enforcement agency, therefore identifying a party responsible for the damage. The cost of repairs for these sixteen accounts totaled approximately \$60,000. Eleven of these accounts had been written off as uncollectible during fiscal year 1998.

The audit concluded that it appeared the department had written off as unknown a significant amount of potentially billable revenues. Considering the department wrote off approximately \$3 million in unknown property damage accounts as uncollectible between January 1995 and March 1999, had the department been able to identify the responsible parties for 40 percent of this amount, the department could have billed and possibly collected an additional \$1.2 million related to these accounts.

The audit further reported that information provided by the MSHP and information maintained by the department's Traffic Division had allowed us to identify these accounts; however, this information had not been shared with or used by those sections within the department (Risk Management Division and district offices) who were responsible for setting up the accounts, accumulating repair costs, and identifying the responsible parties.

Based on discussions during the current audit with Risk Management personnel at both the General Headquarters and districts and reviews of various records, it appears department personnel have not changed the policies and procedures in regard to identifying and billing the responsible parties, and writing-off accounts. Although we did not review additional cases beyond those reviewed in the prior audit, we believe similar problems still exist.

During fiscal year 1999 and the first eight months of fiscal year 2000, an additional \$637,000 and \$1,316,000, respectively, in unknown damage accounts were written off by the department without any additional review as recommended in the prior audit. In addition, as

of April 2000, the MoDOT had not reviewed any unknown accounts written off in recent years (beyond those we identified in the prior audit) to determine if the responsible parties could be identified and billed, even though the department was able to collect over \$57,000 related to the sixteen unknown accounts we identified in the prior audit.

It appears the department has not reviewed accounts previously written off as unknown because it does not believe it would be cost-beneficial to do so. The Risk Management Division has estimated that reviewing written-off property damage claims would involve looking at over 2,500 claims and cost over \$351,000. While it may not be cost-beneficial to review all applicable accounts written off in the last five years, it appears that the department should consider reviewing the larger amounts written off.

According to department records, approximately 4,200 unknown accounts, totaling \$3.3 million, were written off during the five years ended June 30, 1999. The property damage cost related to approximately 3,300 (or almost 80 percent) of these accounts (totaling \$1.4 million) involved damage of \$1,000 or less. Therefore, it may not be cost-effective to perform follow up procedures on all these accounts. However, the property damage costs related to the remaining 900 accounts (or about 20 percent) totaled about \$1.9 million. Of these accounts, 43 involve damage costs in excess of \$5,000 and total approximately \$385,000. At minimum, it appears MoDOT should review those larger accounts that have been written off as unknown in an effort to identify and bill the responsible party.

WE AGAIN RECOMMEND the department ensure property damage revenue is maximized by ensuring the responsible parties are identified and billed on a timely basis. Information from the MSHP and information maintained by the Traffic Division should be made available to the Risk Management Division and the Districts to assist in this effort. In addition, at a minimum, the department should consider reviewing those unknown accounts written off in the past five years involving larger amounts to determine if the responsible parties can be identified and billed.

AUDITEE'S RESPONSE

The department has collected property damage claims of \$2,380,546 in calendar year 1999 and \$1,357,739 thus far in calendar year 2000. In response to the previous finding, a professional position was established and staffed in fiscal year 2001 to facilitate the centralized review of the Statewide Traffic Accident Records (STAR) system. This will be an ongoing process to determine any potential source of recovery for property damage claims. The centralized review process will be fully implemented by the end of calendar year 2000. As a part of the centralized review process, the department will review 43 cases highlighted by the auditor. These cases involve damage claims in excess of \$5,000 and total approximately \$385,000.

The department will also review any other case written off in the past 5 years and match that information against information of the STAR system to determine any potential source of recovery. However, the additional costs associated with collecting property damage claims of small value may not be justified.

As we indicated in our previous response, the State of Missouri is a comparative negligence state, so care and judgment must be exercised in the pursuit of claims collection to avoid counter claims where it can be alleged that a roadway feature contributed to the accident. Each accident is unique and must be carefully analyzed both in terms of a potential property damage recovery as well as any exposure of MoDOT to potential liability.

2. Moving Expenses

As similarly noted in prior reports, some of the MoDOT's moving expenses may be excessive and/or unreasonable. The department typically reimburses various moving expenses related to the recruitment of top management employees as well as the transfer of existing employees to other locations within the state.

At our request, the department prepared a report of employee moving expenses paid during fiscal year 1999. According to this report, such costs totaled over \$312,000. In addition, according to department records, the department's moving expenses paid during the first seven months of fiscal year 2000 totaled over \$322,000.

In addition to meeting the state Office of Administration's (OA) policy in many areas, the MoDOT's policy for reimbursing such costs provides reimbursement in several areas that are not allowed by OA's policy. One of the areas not allowed by the OA includes an additional amount to cover the increased tax liability on the reimbursed income tax liability (the gross-up).

The total amounts paid during fiscal year 1999 and the first seven months of fiscal year 2000 to reimburse individuals for their additional tax liability resulting from other reimbursed expenses totaled \$118,178 and \$86,572, respectively. These additional payments, which included the "gross-up" amounts, were determined by applying tax rates ranging from 28.60 percent to 44.65 percent (in fiscal year 1999) to the taxable moving expense reimbursement and to the tax liability reimbursements. Using the gross-up provisions, taxable moving expenses of approximately \$6,550 reimbursed to an employee in fiscal year 1999, resulted in an additional payment of \$4,680, resulting in total reimbursements being paid to this individual of approximately \$11,230.

In about 35 percent of the moving expense reimbursements paid in fiscal year 1999, the department paid expenses exceeding 10 percent of the employee's annual salary. In one of these moves, the expense reimbursement was more than 50 percent of the employee's annual salary, and the reimbursement totaled over \$28,000. By limiting the total reimbursement to 10 percent of the employee's salary, the department's moving expense for fiscal year 1999 would have been approximately \$161,000, a savings of about \$151,000. It appears that by revising the moving expense reimbursement policy, the department could redirect additional highway resources to maintenance and construction activities.

Although we were told department personnel have been reviewing the department's reimbursement policy and discussing its provisions with the OA, neither the MoDOT nor the OA has changed their reimbursement policies.

WE AGAIN RECOMMEND the department reevaluate the current moving expense policy, and look for ways to reduce employee moving expense reimbursements. The department should consider including a per move cap on reimbursements.

AUDITEE'S RESPONSE

The Missouri Department of Transportation moves employees to provide the traveling public with the proper talent in the location requiring this talent. When an employee relocates they incur substantial expenses. In an effort to encourage employees to relocate and serve the public it is the department's policy to reimburse the actual cost incurred including any additional tax burden related to the move. MoDOT feels that the current move policy is necessary to support the department's operational needs and the needs of the driving public. The Missouri Department of Transportation is currently investigating measures to reduce the cost associated with relocating employees. We have held discussions with the Office of Administration concerning moving policies and will continue to work toward defining move policies.

The costs associated with the typical MoDOT relocation are approximately \$1,620 of qualified moving expenses and \$6,955 of non-qualified moving expenses. Using the moving expense cap suggested by the State Auditor of 10% of annual salary with an estimated annual salary of \$51,000, there would be \$3,475 of moving expenses that would not be reimbursed to the employee. The employee would also be responsible for the taxes on the non-qualified moving expenses that were reimbursed by MoDOT. This tax liability could be as high as \$2,277 depending on the employee's tax bracket. It is important to remember that these figures are only estimates and some employees incur moving expenses that are substantially higher than the typical move. We do not think the moving expense cap of 10% of annual salary is adequate to cover the expenses of a typical MoDOT relocation.

3. Food Costs

The department should make an effort to reduce expenditures for food costs and redirect these resources to highway maintenance and construction activities. According to the department's records, the department paid approximately \$300,000 in food costs during fiscal year 1999. These food purchases represented amounts billed to the department from various food service providers and did not include amounts reimbursed to employees through expense accounts. In fiscal year 1999, the department had a policy regarding the reimbursement of travel expenses (including meals) to employees; however the department lacks a comprehensive policy regarding agency provided meal expenses at meetings and other departmental functions, including those held within the employees' official domiciles.

We reviewed the supporting documentation for thirty-eight food purchases made in fiscal year 1999. Many of these purchases were incurred within the applicable employees' official domiciles, and may have not been necessary. The supporting documentation for these purchases did not always indicate the business purpose and/or identify those people attending. Food purchases included meals at restaurants, catered luncheons, and store purchases (e.g. purchases of donuts, etc.).

The MoDOT should review the need to routinely incur meal costs for individuals attending training sessions and other events and develop a comprehensive policy regarding food purchases, particularly in employees' official domiciles. A similar recommendation was made by the department's internal auditors in July 1999.

WE RECOMMEND the department develop a comprehensive policy regarding food purchases, especially within employees' official domiciles, in an effort to control and reduce expenditures in this area.

AUDITEE'S RESPONSE

MoDOT has an expense account policy providing guidance on meal expenses claimed in an employee's own district or domicile. We agree, however, that additional clarification and a more comprehensive policy would be an improvement to existing policies. The Controller's Office is currently revising and consolidating policies into a more comprehensive policy for management's review. The revised policy will clarify rules for meal and food purchases for department functions. Once adopted, this comprehensive policy will be communicated to all employees and compliance monitored by MoDOT's Controller's Office and district business units.

4. District Procurements

During our audit, we reviewed various expenditures and related documentation to support the procurement of aggregate material and gasoline and diesel at several maintenance sheds in District 1 (St. Joseph), District 3 (Hannibal), and District 9 (Willow Springs). Our review disclosed that such purchases were not always made in accordance with the MoDOT requirements. According to the MoDOT's procurement handbook, purchases between \$1,000 and \$3,000 need written quotes and purchases over \$3,000 require formal bids. For purchases under \$1,000 (also for purchases of gasoline and diesel over \$1,000), the department guidelines allow the use of telephone quotes. The documentation of telephone quotes should include the vendors contacted, the time and date of the contacts, and the vendors' quoted prices. The department's policy requires that bid documentation be retained. The specific problems noted were as follows:

- A. We reviewed four purchases, totaling approximately \$33,703, of aggregate material. It appears that telephone quotes were used for these purchases. However, since the anticipated amount of the purchase was over \$3,000 for three of these purchases, formal bids were required. For the other purchase, it appears that written quotes

should have been taken. In addition, documentation of the telephone quotes was not retained for three of these purchases.

- B. We also reviewed fourteen purchases of gasoline and diesel. According to maintenance personnel, telephone quotes are used for these purchases and department procedures for telephone quotes provide that a minimum of three vendors should be called, if three are available. In ten instances (71 percent), there was documentation of only two or fewer bids being obtained. Maintenance personnel indicated that in these instances either a sole source situation existed, a third vendor was not available, or a third vendor was contacted but did not provide a bid/quote. However, there was no documentation maintained to support these explanations.

The department needs to ensure that the department's policies and procedures related to the procurement of aggregate material and gasoline and diesel are followed and bid documentation is properly retained.

We noted similar problems in the prior report. Although the department indicated in its response to the prior findings that district staff would be reminded of the purchasing requirements, some of the maintenance personnel we contacted during the current audit did not appear familiar with these requirements.

WE AGAIN RECOMMEND the department ensure its bid policies and procedures are followed related to the purchase of aggregate material and gasoline/diesel by the districts. In addition, adequate bid documentation should be retained.

AUDITEE'S RESPONSE

General Headquarters intends to update the statewide procurement manual. The implementation of Financial Management System/Statewide Advantage for Missouri (SAM II) system essentially rendered the procurement manual obsolete and many of the basic procurement guidelines are not addressed in the Financial Management System Policy and Procedure Manual. In January, a committee will begin meeting monthly to develop a new procurement handbook. MoDOT intends to use the same bid parameters as the Office of Administration. Upon completion of the procurement handbook, a statewide training effort will be completed.

In the interim, General Headquarters management has agreed to prepare a new policy providing new bidding thresholds. The new threshold policy will address the required documentation for each purchase. This new policy will also outline potential consequences for failing to follow the procedures outlined. The new policy will also outline internal monitoring guidelines that will hopefully identify problem areas on a regular basis. This monitoring program should assist General Headquarters in identifying areas where training and/or policy review is required.

As it relates to gas and diesel purchases, the department is currently reviewing alternative procurement methods to eliminate the problem identified in the audit. Implementation of this program, if accepted, will take some time.

This report is intended for the information of the department's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MISSOURI DEPARTMENT OF TRANSPORTATION FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the Missouri Department of Transportation on findings in the Management Advisory Report (MAR) of our prior audit report issued for the year ended June 30, 1998. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the department should consider implementing those recommendations.

1. Property Damage

- A. The department did not ensure responsible parties were identified and billed for the cost of repairing damage to MoDOT property.
- B. Instances were also noted where accounts were not properly established to account for the costs of repairs where MoDOT property was damaged. The amount of potential revenue which might have been lost as a result of this situation could not be determined.

The problems noted were detected through the use of the Missouri State Highway Patrol's Statewide Traffic Accident Records (STAR) system, which included imaged accident reports as well as information maintained by the Traffic Division at General Headquarters. This information was not shared with or used by those sections within the department who were responsible for setting up the damage accounts, accumulating repair costs, and identifying and billing the responsible party.

Recommendation:

The department ensure property damage revenue is maximized by properly setting up accounts involving damage to MoDOT property and identifying and billing the responsible parties on a timely basis. Information from the MSHP and the Traffic Division (including imaged accident reports) should be made available to the Risk Management Division and the Districts to assist in this effort. In addition, the department should consider reviewing accounts written off in the past five years to determine if the responsible parties can be identified and billed.

Status:

Not implemented. Department personnel are still not ensuring responsible parties are properly identified and billed for damage, have not made any significant procedural changes in this area, and have not reviewed accounts written off in recent years as recommended. See MAR No. 1. It appears most of the instances where accounts were not established in the prior audit involved minor damage. Although not repeated in the current MAR, this part of our recommendation remains as stated above.

2. Allocation of Federal Bridge Monies

During fiscal years 1998 and 1999, the MoDOT reduced the allocation of the federal off-system bridge replacement program (BRO) monies to various counties within the state and the city of St. Louis by over \$1.1 million, the amount of funding appropriated to the State Auditor's Office from the State Highway Department Fund during those years. It appears the department was not justified in reducing these allocations in this manner.

Recommendation:

The department discontinue reducing BRO Program allocations in this manner. Any adjustments to these allocations should be made on an equitable basis and comply with authorizations of the Commission.

Status:

Implemented. We did not note any improper reductions in the BRO allocations for fiscal year 2000.

3. Information Systems Division Reorganization

- A. The procurement of consulting services, involving expenditures of approximately \$336,000, related to the reorganization of the Information Systems Division, did not appear to be handled properly. A request for proposal (RFP) was not prepared to procure these services, nor were written bids/proposals solicited from other consultants.
- B. There was no written contract/agreement between the MoDOT and the consultant identifying the scope of services to be provided and the compensation to be paid. In addition to the amounts paid to the consultant, the division generally paid luncheon costs for the day long workshops.

Recommendation:

The department ensure its divisions procure consulting services in a proper manner and comply with the established authorization policy. The department should also ensure all meal costs incurred are necessary.

Status:

Not implemented. We again noted similar problems regarding the procurement of consulting/professional service expenditures; however, the related expenditures were not significant. Although not repeated in the current MAR, our recommendation remains as stated above. However, concerns were noted regarding food costs incurred by the department. See MAR No. 3.

4. Moving Expenses

The department reimburses various moving expenses related to the recruitment or transfer of employees. Some of these moving expenses appeared excessive or unreasonable. When comparing the department's moving expense policy to OA's moving expense policy, the MoDOT policy exceeded the OA policy in various areas and also provided reimbursement in other areas that were not allowed by OA's policy. The department was reviewing its reimbursement policy and discussing its provisions with OA; however, no changes had been made to the policy.

Recommendation:

The department continue to reevaluate the current moving expense policy, and look for ways to redirect resources currently used on moving to maintenance and construction activities. The department should consider including a per move cap on reimbursements.

Status:

Not implemented. See MAR No. 2.

5. Plane Usage

- A. The specific purpose of many flights was not adequately documented. In addition, the flight logs did not always list the names of all passengers or other pertinent information.
- B. The department did not retain the documentation authorizing out-of-state flights or comparisons between the costs of commercial flights and the costs of using a department plane as required.

Recommendation:

The department:

- A. Ensure the specific purpose of all flights, the names of all passengers, and other pertinent information is documented.
- B. Ensure proper authorization for out-of-state flights and a comparison of the costs of commercial flights to the cost of using department (or charter) planes for such flights is documented and retained.

Status:

- A. Implemented. All MoDOT flights are now scheduled through the OA's flight operations, which prepares the flight manifests. Our review of these manifests

indicated the purpose of the flight, names of passengers and destination, and other pertinent information is now documented.

- B. Partially implemented. Between April 1999 and December 1999, only five out-of-state flights were noted. These flights were authorized by blanket out-of-state travel authorizations for the applicable individuals. However, only one of the five flights had adequate documentation comparing the costs of commercial flights to the costs of using department planes. Although not repeated in the current MAR, our recommendation remains as stated above.

6. District Procurements

The procurement of certain aggregate materials and gasoline and diesel purchased at various maintenance sheds in District 9 (Willow Springs) were not made in accordance with the department requirements. In some instances, there was no bid documentation to support the purchases or there was no documentation that at least three vendors were contacted for a bid/quote as required.

Recommendations:

The department ensure its bid policies and procedures are followed related to the purchase of aggregate material and gasoline/diesel by the districts. In addition, adequate bid documentation should be retained.

Status:

Not implemented. See MAR No. 4.

7. Access to Computer System

Access to the department's computer system was not updated on a timely basis when an employee moved to a new position or terminated employment. Over 1,400 employee identification numbers were still in the system related to individuals who were no longer MoDOT employees.

Recommendation:

The department ensure employee access to its computer system is updated on a timely basis.

Status:

Partially implemented. At the time of our review, there were still some employee identification numbers in the system related to individuals who were not current MoDOT employees; however, this number had been reduced to less than 300 as of May 2000. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Subrecipient Monitoring

The MoDOT passed federal funds to subrecipient local governments through various programs, including the Highway Bridge Replacement and Rehabilitation Program. The MoDOT provided each recipient of federal funds a Local Public Agency Manual (LPA) which identified the applicable federal compliance requirements.

- A. The LPA did not address the cash management requirement which provided that funds should be requested such that they are received not more than two days prior to their disbursement.
- B. The MoDOT did not ensure that subrecipients submitted the required statement of procedures related to the selection and procurement of engineering services as required by the LPA nor ensured that subrecipients evaluated at least three firms as required.
- C. The MoDOT did not have adequate procedures to ensure findings reported in subrecipient audit reports were properly addressed. This included ensuring management decisions were issued on audit findings within six months of receipt of the report and ensuring that the subrecipient took appropriate and timely corrective action.

Recommendation:

The MoDOT:

- A. Inform subrecipients about the cash management requirements and establish procedures to ensure the requirements are met.
- B. Establish procedures to ensure subrecipients submit a statement of procedures used to evaluate and select engineering consultants as required and ensure subrecipients consider at least three firms before procuring such services.
- C. Establish procedures to ensure that management decisions are made on subrecipient audit findings within six months after receipt of the audit reports and that the subrecipient takes appropriate and timely corrective action.

Status:

- A. Implemented. The MoDOT revised the LPA manual to inform the subrecipients about the cash management requirement regarding the timely payment federal monies, and it was issued to subrecipients in mid-2000.
- B&C. Implemented.

* * * * *